
**U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT**

POLICY GUIDANCE

**USAID - U.S. PVO
PARTNERSHIP**

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USAID-U.S. PVO PARTNERSHIP

I. POLICY FRAMEWORK

USAID views its partnerships with U.S. private voluntary organizations (PVOs) and cooperative development organizations (CDOs) as evolving relationships.¹ Partnership means striving to achieve mutual goals by sharing resources, risks, benefits and accountability. Partnership is characterized by cooperation, collaboration and complementarity, and is based on the principles of mutual respect, shared objectives, consultation and participation. It is through these channels that USAID hopes to forge closer and more effective working relationships with PVOs.

U.S. PVOs reflect American principles of pluralism and diversity, and provide vehicles for this country's compassion and humanitarian concerns. Similarly, PVOs can tap significant resources for development and humanitarian response that otherwise would not be available. While the PVO community is extraordinarily diverse, and generic conclusions with respect to individual institutional strengths and comparative advantages can be misleading, PVOs are important partners with USAID in pursuit of development and humanitarian goals.

U.S. PVOs have played an important role in stimulating the growth and vitality of indigenous NGOs in many countries. There has been a worldwide expansion in the level of voluntary activity and in the number and variety of indigenous NGOs. The ascendance of indigenous NGOs is a striking phenomenon of the post-Cold War era. It has been fueled by the shift toward democratic forms of government, the opening of previously closed societies, the increase in complex, long-term humanitarian assistance activities, a heightened awareness of the importance of community solutions to social problems and a growing understanding of the link between local and global issues.

The relationships between USAID and PVOs are based on considerable areas of consensus, such as:

- * A commitment to people-centered economic, social and political development that addresses issues of gender, age, ethnicity, and other critical factors that affect access to the development process and the sustainability of development results;
- * An appreciation of the importance of community-based solutions to social, economic and environmental problems;

-- The term "PVO" includes both U.S.-based and indigenous private voluntary organizations except when one or the other is specified. The term "PVO" also includes cooperative development organizations (CDOs) unless otherwise specified. The term "NGO" means nongovernmental organizations including PVOs and CDOs unless otherwise specified.

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- * A broadly-held view that effective development and sustainable development are synonymous;
 - * Agreement that humanitarian assistance, when appropriate, should be integral to an overall approach to achieve sustainable development;
 - * Agreement on the importance of broad-based economic growth and the need to address root causes of poverty;
 - * Agreement on the importance of a flourishing private sector, both as an engine of economic growth and as a repository of the principles of democratic pluralism;
 - * Agreement that participatory development strengthens the fabric of civil society and provides opportunities for broad-based equitable growth; and
 - * A commitment to the principle of self-help and a belief that people in developing countries and emerging democracies want to improve their lives.

While acknowledging those areas where USAID and PVO interests overlap, it must be recognized that their motivations, interests and responsibilities are not and should not be identical. It is to be expected that USAID and PVOs each will pursue goals related to their particular concerns and objectives and, at the same time, will work together on common priorities. Programmatic interests, therefore, may not always coincide.

As USAID goals shift to reflect changing world conditions, PVOs can make positive contributions to the evolutionary process. Changing USAID priorities also will help shape the shifting priorities of PVOs. This interactive process -- at the heart of the USAID-U.S. PVO partnership -- can be constructive and mutually beneficial by balancing a careful respect for the principles of privateness and independence with the maintenance of clear, results-oriented standards of accountability in the pursuit of mutually agreed objectives.

II. POLICY PRINCIPLES

Within the above framework, the USAID-PVO partnership will draw upon, respond to, and incorporate the following policy principles.

A. CONSULTATION. Consultation occurs when USAID draws on the experience and knowledge of PVOs, individually or collectively, by soliciting their advice, suggestions and comments. The congruence of objectives between USAID and the PVO community can be deepened, sustained and better defined through a structured process of consultation and dialogue, both in Washington and the field. PVOs have a commitment to people-centered economic, social and political development, maintain close contact with indigenous

populations, and appreciate the importance of community-based solutions to social and economic problems. As a result, PVOs have a sound basis for assisting USAID missions and other operational units (USAID missions or organizations at the office level or above that expend program funds to achieve strategic objectives) to analyze, develop a sound strategic framework for, and implement successful sustainable development.

PVOs and USAID will work together more effectively if they have better communication at all levels, from USAID/Washington to field missions, and from matters of policy and program strategy to activity design. USAID policy is to foster the USAID-PVO partnership by engaging in consultation with PVOs on a broad range of issues beginning at the earliest stages of the strategic planning process. USAID consultation with PVOs includes the following elements:

- * USAID's policy-making shall be structured to ensure appropriate and relevant input from PVOs in a manner that does not compromise the independence of either, and which is consistent with the identity of PVOs as private entities and the role of USAID as an agency of the U.S. Government, under its foreign policy guidance. USAID's policy-making also must incorporate the views and perspectives of indigenous NGOs, including women's organizations; and
- * USAID and its operational units shall establish regular, ongoing consultative processes with a broad cross-section of PVO and indigenous NGO communities. The consultative process should be open, comprehensive and candid, drawing upon the views, insights and suggestions of PVOs and indigenous NGOs. It must be integrated with the USAID strategic planning and programming processes and structured to assist in shaping programmatic priorities and the design of individual activities. (See Sec. III.A.)

B. PARTICIPATION. Broad-based, equitable participation is vital to sustainability and to the success of development efforts. Participatory processes promote a sense of ownership and increase the probability that the development effort will be sustained. It is USAID policy (see Administrator's Statement of Principles on Participatory Development, Dec. 16, 1993) to build opportunities for participation by host country organizations and peoples into the development processes in which the Agency and its PVO partners are involved.

- * Participatory mechanisms shall be developed and carried out in a way that ensures that host country organizations and people (female and male, young and old, different ethnic groups, and others) are provided with opportunities to define their developmental priorities and approaches;
- * USAID will look to PVOs with in-depth local experience to assist in designing and implementing participatory mechanisms to ensure that USAID strategic objectives and

activities reflect the priorities and values of those in the host country who will have to sustain the development effort;

- * USAID will seek to work with indigenous NGOs as development partners, and to that end will provide support to their activities when these relate to USAID program priorities;
- * USAID will seek partners that are skilled in and committed to supporting the initiatives of host-country organizations, strengthening institutions and empowering people in the host society; and
- * Activities shall be designed, implemented, and evaluated in ways that encourage responsiveness in providing services to the end-user.

C. PROGRAM INTEGRATION AND MANAGING FOR RESULTS. USAID's commitment to managing for results (see USAID Directive for Setting and Monitoring Program Strategies, May 1994) necessitates full integration of all USAID-funded programs and projects into USAID's strategic plans and objectives. Such integration is crucial for maximizing the effectiveness and sustainable development impact of scarce USAID resources. USAID policy is that all USAID-funded programs operating in a country, including those of PVOs, shall address USAID's country, regional or global relief and development priorities, whether the program is funded from USAID/Washington or a field mission. Elements of USAID's policy regarding managing for results and program integration include the following:

- * USAID's strategic plans shall define the objectives, performance targets and indicators for USAID's development and emergency relief priorities. Through an active consultative process, USAID will seek to take into account areas of mutual interest between the Agency, host countries and PVOs in setting priorities and allocating resources; and
- * In implementing its programs, USAID shall capitalize on the diverse backgrounds and experiences of PVOs, which enable them to provide practical solutions to difficult development and humanitarian problems.

(Policy guidance on activities in USAID non-presence countries is covered under Approved Action Memorandum, "Mission Closeout -- Continuing Activities," dated June 15, 1994.)

D. INDEPENDENCE. USAID views PVOs as its development and relief partners, both as intermediaries for USAID programs and as independent entities in their own right. USAID policy is to work with PVOs in both capacities. A PVO's relationship with USAID must not result in a loss of the PVO's private and independent character since, without independence,

the fundamental values associated with PVOs and USAID's working with them are diminished.

While an organization's ability to maintain its independence depends on a variety of factors, undue dependence on a single source of funding can jeopardize the role of PVOs, not just as independent entities, but also as intermediaries for USAID programs. The "privateness requirement" legislated by Congress is designed to address this potential problem by establishing that U.S. PVOs must receive at least 20 percent of their financial support for overseas activities from non-USG sources.² The purpose of this requirement is threefold: (1) to discourage dependence on USG financing of U.S. PVOs' international programs, thereby ensuring that U.S. PVOs maintain their independence of action; (2) to ensure that U.S. PVOs continue to leverage additional financial resources for development; and (3) to build an awareness of international development and humanitarian issues and programs among the American public. Elements of USAID's policy regarding independence include the following:

- * USAID shall apply the legislatively-mandated "privateness requirement" in determining a U.S. PVO's eligibility for development assistance funds;
- * The degree of PVO autonomy in designing and implementing USAID-funded activities will depend on the type of assistance instrument used. Under a grant, a PVO must be free to manage its own program as agreed to in the program description of the grant agreement. On the other hand, under a cooperative agreement, USAID shall define those specific areas where USAID's substantial involvement during the performance of the program is desirable to achieve the program's objectives; and
- * Within the context of USAID's commitment to managing for results, PVOs receiving USAID funds are responsible for tracking the progress of approved activities, adjusting those activities as needed, and ultimately achieving agreed upon objectives.

E. SUPPORT FOR RELATIONSHIPS OF U.S. PVOs AND INDIGENOUS NGOs.

Indigenous NGOs, as part of the host society, can serve as a voice for the interests and perspectives of the communities or groups they serve. Indigenous NGOs also may be stakeholders in, or initiators of, the development changes USAID is supporting.

Among other critical preconditions, sustainable development is much more likely to occur in countries where there is a strong indigenous NGO sector. Experiences throughout the world have shown that an active nongovernmental sector is essential for socioeconomic development and for the establishment of a vibrant and effective civil society. Indigenous

-- The "privateness requirement" (which is not applicable to CDOs) applies to a U.S. PVO's total funding for overseas activities, as distinguished from sharing with USAID the cost of specific activities under particular grants or cooperative agreements. (See Sections I.G. and III.B. regarding cost-sharing requirements.)

NGOs have demonstrated their capacity to mobilize communities and to act as intermediaries between governments and their people. Indigenous NGOs can be more efficient and effective than state agencies in the provision of services.

U.S. PVOs can play a key supporting role in collaborating with indigenous NGOs. U.S. PVOs can provide advice to USAID based on expertise that may include a broad view of a problem or development approach, drawn from world-wide experience, or based on in-depth understanding of the values and practices in the host countries. As implementers working in partnership with USAID, U.S. PVOs can bring great technical expertise in a given sector; people-to-people linkages with American institutions and know-how; financial and political support of the American people for the mission of foreign assistance; the ability to communicate effectively across cultures; and expertise in many of the institutional issues facing host-country NGOs.

USAID policy is that the Agency must capitalize on the growing role, importance and capacity of indigenous NGOs:

- * As the responsibility for direct service delivery increasingly shifts from U.S. PVOs to indigenous NGOs, U.S. PVOs have a vital role to play as trainers for, and supporters and facilitators of, indigenous NGO-implemented activities; and
- * USAID shall actively encourage the formation of effective partnership relations between U.S. PVOs and indigenous NGOs.

F. CAPACITY BUILDING. USAID policy is that support for institutional capacity building is an essential component of a focused, results-oriented strategy, and is integral to the concept of sustainable development. Elements of USAID's policy regarding capacity building include the following:

- * USAID shall facilitate the provision of direct assistance to indigenous NGOs to strengthen their capacity and support their development activities;
- * USAID shall invest in strengthening the institutional capacity of U.S. PVOs when this will help them to be more effective in working in USAID priority areas and in forming collaborative relations with indigenous NGOs;
- * USAID shall assist U.S. PVOs to build their capacity to assist indigenous NGOs where the assistance will strengthen the ability of the indigenous NGO to function in USAID priority areas; and
- * USAID must recognize the diverse size and structure of PVOs, and invest in strengthening the institutional capacity of PVOs, when this will help them to be more

effective in working in USAID priority areas.

G. USAID-PVO COST-SHARING. USAID policy is that the principle of cost-sharing is an important element of the USAID-PVO relationship, but that its application should be flexible and case-specific. In designing and negotiating grants and cooperative agreements, USAID policy is to seek an appropriate level of financial participation from assistance recipients. Cost-sharing is synonymous with financial participation.³ Appropriate cost-sharing participation by assistance recipients is desirable because it can:

- * Help ensure the PVO's active involvement in and commitment to USAID-supported activities;
- * Enhance the likelihood that the PVO will continue project activities or otherwise work toward program goals after USAID support ends, thereby contributing to the furtherance of program goals;
- * Help mobilize additional financial resources for activities;
- * Limit USAID financing for activities to amounts that the PVO cannot obtain on its own, or which are otherwise unavailable for such activities; and
- * Increase the coverage and effectiveness of USAID's limited budget resources.

Given the diverse circumstances and conditions that may define a relationship between USAID and a recipient of funds, the application of the cost-sharing principle shall be flexible and case-specific, and not be derived from a rigid centrally imposed formula.

When designing and negotiating a development activity with a U.S. PVO, the suggested point of reference is 25 percent financial participation (i.e., 25 percent of total activity costs to be borne by the PVO and 75 percent by USAID). Financial participation rates of less, or more, than 25 percent may be justified, as reasonable and appropriate, in terms of the PVO's financial resources and fund-raising capacity, USAID's objectives in joining with the PVO in the assistance activity, and/or where justified by USAID program objectives.

Decisions on specific financial participation requirements shall be made by the Agency officer authorizing the assistance activity at the operational unit level. (See Sec. III.B)

H. SIMPLIFICATION. USAID policy is that simplification of USAID administrative and grant-making requirements is essential to achieving an effective, results-oriented USAID-

-- In accordance with OMB Circular A-110, "financial participation" includes in-kind contributions.

PVO partnership. Elements of USAID's policy regarding administrative simplification include the following:

- * Systems and procedures that constitute the operational relationship between USAID and PVOs will facilitate the achievement of results-oriented program objectives;
- * USAID shall, as a matter of policy, identify and implement measures to simplify and rationalize administrative, procedural, and contractual requirements across the spectrum, from registration to negotiation to implementation to audit, consistent with uniform government statutory and administrative requirements and with appropriate standards of accountability; and
- * Any changes in policy or procedures must be rapidly and widely promulgated to USAID/Washington and field mission staff, and within the PVO/NGO community. Implementation of changes must be monitored to assure their full and uniform application.

III. OPERATIONAL GUIDANCE

A. USAID-PVO CONSULTATION

1. OBJECTIVES: The objectives of the USAID-PVO consultation process are: (a) to enhance the United States foreign assistance program by incorporating the experience and knowledge of PVOs in developing better USAID policies, country and sector strategies, activity designs and implementation; (b) to collaborate constructively in the delivery of development and humanitarian assistance when our interests are compatible; and (c) to increase the transparency of USAID's decision- and policy-making processes relevant to PVOs.

2. CONSULTATIVE PROCESS: Each USAID operational unit shall develop processes for consulting with those PVOs that conduct programs within the operational unit's areas of responsibility or which have expressed interest in doing so. USAID operational units function under varying conditions. While it is recognized that USAID operational units need flexibility in the design and implementation of their individual consultative processes, the principle and practice of consultation are fundamental to a productive and mutually supportive USAID-PVO partnership. Whatever consultative processes are selected, however, must be deliberately structured to be comprehensive, open and candid, and represent the views of both women and men from different age and ethnic groups, particularly the concerns of the poor, whether in rural or urban areas. Missions must be able to document their consultative processes when they submit strategies and/or action plans for review and approval. (See Agency Directive, "Setting and Monitoring Program Strategies," USAID/PPC, May 27, 1994, pg. 5; and Agency Directive, "Project Development Interim Directives," USAID/PPC,

November 18, 1994, pg. 4 and pg. 10.)

- (a) **Strategic Plans:** PVOs carry out a significant part of USAID's relief and development work. In accordance with the Agency Strategy Directive on "Setting and Monitoring Program Strategies," USAID operational units shall develop, update and monitor their strategic plans in consultation with PVO partners operating in the country or region.
- (b) **Action Plans:** PVO perspectives, comments and suggestions shall be considered by USAID operational units as they prepare action plans. All operational units shall consult with PVOs during the annual preparation of action plans. This will provide PVOs with an opportunity to document their progress toward agreed targets and to offer comments and suggestions on proposed USAID performance indicators.
- (c) **USAID-Wide Consultation:** USAID will consult with U.S. PVOs about other topics of broad general interest, as appropriate, including overall Agency policies and strategies, through the Advisory Committee on Voluntary Foreign Aid (ACVFA), which meets on a regular, periodic basis. The agenda for ACVFA meetings shall include at least annually a review of progress made in carrying out the USAID-U.S. PVO consultative process and may include recommendations regarding a work plan for the following year. USAID also must actively seek comments from the broad U.S. PVO community on policies and regulations under consideration that affect PVOs.

There are several legal and regulatory considerations to keep in mind when consulting with PVOs: the Federal Advisory Committee Act and, particularly, procurement integrity and organizational conflict of interest rules.

The Advisory Committee Act applies when the consultative process involves consensus advice from a group that contains one or more members who are not U.S. Government officials or employees. ACVFA is an example of a formal consultative body whose proceedings are subject to the requirements of the Act. Obtaining the views of individuals, either in their personal capacities or as representatives of individual PVOs, whether meeting with them singly or as a group, is not covered by the Act. If a USAID operational unit wishes to seek the views of a group as a whole, it should contact Agency legal counsel about meeting the requirements of the Act.

While the procurement integrity law and organizational conflict of interest rules technically apply only to contracts, the basic principles underlying the rules (i.e., assuring that no organization has an unfair competitive advantage and that organizations are objective and provide the government impartial advice) shall apply to assistance relationships as well. Organizational conflicts of interest are most likely to occur as a result of consultation during the design of individual activities. Consultation may be appropriate for individual activities,

but USAID operating units must be sure to make the same material available to PVOs who could not participate at the design stage, but are interested in implementation. Consultations should not be limited to a single PVO except in situations where it is clearly appropriate for the same PVO to implement the activity and competition is not an issue. USAID will develop additional guidance on organizational conflicts of interest in assistance relationships. When contracting is contemplated, the USAID operating unit must be aware of the regulatory requirements in the Federal Acquisition Regulation Subpart 9.5 and USAID's Contract Information Bulletin 94-2, "Organizational Conflicts of Interest."

B. USAID-PVO COST-SHARING

1. COST-SHARING DETERMINATIONS: As noted in Sec. II.G, a 25 percent financial contribution shall be the reference point when negotiating a development activity with a U.S. PVO. Any cost-sharing requirement must be stated specifically in the activity announcement or request for applications. When a specific percentage of cost-sharing is not required for an assistance activity, the Agency official authorizing the activity shall base the decision about the exact amount of cost-sharing required, if any, upon a review of the following factors:

- * Impact on project design or implementation, including prospects for sustainability;
- * Qualifications of the organization to effectively implement the activity apart from its capacity to meet cost-sharing criteria;
- * The extent to which a project responds to a USAID request or initiative;
- * The linkage between cost-sharing and the degree of program independence to be accorded the organization in its relationship with USAID;
- * The extent to which an activity generates equity and mobilizes savings by local partners;
- * Impact on institutional health and viability;
- * An assessment of realistic prospects for leveraging non-USG support; and
- * The potential impact on organizational fund-raising strategies -- USAID funding should stimulate, not substitute for, effective organizational fund-raising strategies.

2. EXAMPLES: There may be circumstances where a PVO will participate in a

development or relief activity technically but not financially. Following is a list of the most common examples of these situations. These examples are illustrative in nature, and are not meant to limit or to prescribe the specific cost-sharing decisions of the Agency official authorizing the assistance activity.

- * PVOs acting as USAID intermediaries in implementing activities undertaken at USAID's initiative;
- * PVOs established under USAID programs as unique resources to provide long-term capacity to support programs, and which have no substantial independent source of income;
- * PVOs that have developed or could develop specific activities in response to USAID requirements, but are without substantial independent income to support such activities;
- * PVOs working on activities and toward objectives of special importance to USAID; and
- * PVOs established in support of specific provisions of the Foreign Assistance Act or other legislation, which at their outset had and for an undetermined period of time will have no independent source of income.

3. DECISIONS: The Agency officer authorizing the assistance activity makes the final determination regarding whether there will be, and the amount of, financial participation by an assistance recipient. The action memorandum signed by the Agency officer authorizing the assistance activity must describe the particular circumstances, conditions or considerations that constituted the rationale for the specific financial participation level required in the assistance activity being authorized.

In all competitions that are expected to result in a Cooperative Agreement, the request for applications must clearly state the level and purpose of cost-sharing required, if any.

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